

No, You Are Not Covered: Some Gaps That a Business Owner Policy Does Not Cover

The last thing a business owner wants in the event of an incident is for the claim not to be covered. In most cases, successful business owners need to have more than one policy type to properly protect themselves; however, this depends on the type of business and exposures that you have. Your business is your career; properly protecting it means the continuation of your livelihood, while not having the certain policies in place may result in bankruptcy and closure of the business. For this reason, it is vital to understand what liability coverages and policies are available so as to protect your business from costly lawsuits.

Most business owners are required to have General Liability (GL) coverage to satisfy their lease requirement. GL coverage, which is typically the first policy that a business purchases, is often purchased in a package, sometimes referred to as a Business Owner's Policy (BOP). A GL policy covers injuries caused to others and damage to the property of others; it may also cover personal and advertising injury coverage, such as incidents caused by libel or slander. Many (but not all) of these policies include products liability, which covers defective products that may cause injury or property damage.

The following paragraphs discuss some types of exposure that are not covered by a BOP or a General Liability (GL) policy, as well as possible solutions to get coverage:

Employment Practices Liability (EPLI)

EPLI insurance is becoming more and more necessary for both large and small employers. EPLI provides protection against employee lawsuits regarding issues such as discrimination, sexual harassment, failure to employ, and many others. This coverage generally does not pay for punitive damages, but it will pay for the company's legal costs associated with a covered lawsuit.

Errors & Omissions (E&O) Coverage

Also known as malpractice insurance, E&O provides coverage to individuals and firms who provide some form of expertise and/or counseling to their clients. When a professional receives payment in exchange for services, they are held to a high standard by both the client and the legal system. While incidents are not common, those that do occur are very costly. Having the right insurance coverage in place helps to allow the continuity of a practice by transferring potentially huge financial burdens to the insurance company.

Directors & Officers (D&O) Liability

This type of insurance is used to protect a company's directors and officers from legal action, which can come from competitors, government agencies, creditors, employees, stockholders, or other third parties. Any firm with a board of directors (e.g., privately held companies, non-profit organizations, and homeowners' associations) needs this coverage. Anyone serving on a board without this coverage is putting their personal assets at risk.

Pollution Liability

This type of insurance policy covers environmental liabilities excluded by standard General Liability insurance. Specifically, this coverage helps to protect contractors in the event of pollution incidents, such as contaminated soil disposal or the accidental release of fuel oil, chemicals, or toxic gases from broken pipelines, utilities, or stationary or mobile fuel tanks.

Auto Liability

Even a business that does not own any vehicles should not neglect getting Auto Liability. If an incident occurs during working hours and the injured employee was using his or her personal vehicle for business use, the business may be named as a party to legal action on any injury or property damage that may result. If the business uses personal vehicles on the job full time, it is probably best to have those vehicles insured through the company to make sure the company has coverage against legal action due to an automobile incident.

Workers Compensation

This type of coverage, which covers injuries on the job, is required by state law for businesses with employees, and employers can be fined for not carrying it. It also protects you from being legally liable should an injury occur.

Products Liability

This type of coverage is often, but not always, included under a General Liability policy. If it is excluded and you manufacture or sell products, you will not be covered unless you have a separate Products Liability policy. The significance of this coverage is that if a product originates from your business - regardless of whether you are the manufacturer, retailer or anyone in between - you will probably be named in the event of a lawsuit regarding that product. Products Liability does not cover recalls, but it does cover property damage or injuries caused by a product.

Because each business is different, it is important to review all potential exposures with your agent as well as legal counsel to determine the best way to address each potential liability exposure. Having insurance in place helps to bring more certainty to your business. Since all you pay is the premium, you do not need to worry about losing your business as a result of spending huge amounts of money on claims that most people have no idea how to handle. Although insurance does not cover every possible exposure, the more coverage you get that applies to your business, the more you will be helping to avoid the possibility of future financial insolvency.

###